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On Thursday, May 12, 2011 at approximately 9:11 a.m., a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

[00.00.01 into the pension audio]

PRESENT:	Bruce Moore	Chairman
	Steve Young	Secretary
	Sara Lenehan	Treasurer
	Farris Hensley	Member
	Lee Harrod	Member
	David Rowan	Member
	Don Wood	Member

Also present were Mr. Bo Brister, Mr. Larry Middleton, and Mr. Alex Jordan, Stephens Capital Management, Financial Consultants for the Fund; and Mr. Rusty Watson, future Board member.

[00.00.11 into the pension meeting audio.]

Agenda Item #3. Exigent Business.

Mr. Young mentioned that no current police pension board member had any recollection of ever seeing the PRB's Annual Valuation performed after our Board's amendment to its 2008 and 2009 Annual Report in August of 2010 although such Annual Valuation had been submitted to the Board by the PRB in October of 2010. Mr. Young stated he had further investigated this matter and determined that the information had been included in the pension meeting packet prepared by the City Treasurer's Office for the October 2010 pension meeting but no reference to such important information was ever made by anyone during that meeting according to the audio of that meeting. Such "oversight" had the effect, weather intentional or not, of leaving the police pension board member's oblivious to the information contained in that report which information is clearly necessary for the proper performance of the Board's

38 fiduciary duty to the membership. Mr. Young made a motion [00.05.14 into the pension
39 meeting audio], as required by the PRB, that the Secretary of the Pension Board be separately
40 copied by the PRB of all correspondence they may send to the pension board to help prevent
41 such oversights in the future. Mr. Wood seconded the motion which passed by a unanimous
42 vote of the Board. After this vote was taken, Mr. Hensley asked that Ms Lenehan email copies
43 of the last Annual Valuation to all Board members and she stated she would do so.
44

45 **Agenda Item #4. Approval of the April Regular Meeting Minutes**

46 [00.09.09 into the pension meeting audio.]
47

48 Mr. Young asked that this item be deferred until after the report of Stephens Inc., because of a
49 request from pension member Scott Timmons that may require additional information
50 necessary for changes to the pension minutes.

51 After returning to this item, Mr. Hensley made a motion [00.31.01 into the pension meeting
52 audio] to include the amounts involved in Item 10C into the April Minutes and Ms. Lenehan
53 seconded that motion that was approved by a unanimous vote of the Board. Then, Ms.
54 Lenehan made a motion to approve the Minutes as amended [00.36.37 into the pension meeting
55 audio] and Mr. Wood seconded the motion that passed by a unanimous vote of the Board.
56

57 **Agenda Item #5. Report from Board Legal Consultant**

58 [00.37.27 into the pension meeting audio.]
59

A. [No legal counsel present]

60 **Agenda Item #6. Report from Board Financial Consultant [Out of Agenda Order]**

61 [00.10.25 into the pension meeting audio]
62

63 A. April Financial Report —Mr. Brister, Financial Consultant for the Fund, gave the March
64 2011 financial report and stated that on April 30, 2011, the market value of the total Fund
65 was \$48,535,302, not including accrued income of \$45,354. Of that amount,
66 \$23,340,220.08 was allocated to DROP. This represents an increase in the account balance
67 of \$62,819 since the February 28, 2011 total amount of \$48,728,915. The component of
68 this change was unrealized income of \$62,819 and net contributions/withdrawals of
69 (\$164,070). [Note: The amounts quoted in the previous sentence are drawn from figures
70 available in other sections of the financial report and are not presented for computational
71 value.] The Fund's overall market rate of return for the month of April 2011 was 1.90%
72 and 5.95% calendar year to date.

73 The Financial Consultants stated we had a very good month in April which started vey slow
74 but picked up as the month progressed. They also covered the differences between the
75 calculations they provided that go into our monthly report and that contained in our Minutes
76 due to the questions raised my Mr. Scott Timmons. Apparently, the discrepancy is due to
77 the use of unrealized gains in one portion of their report that is more fully explained in

another section of their report not included in our Minutes. In the future, Mr. Young stated he shall make this fact clear in the monthly Minutes to prevent further problems.

Agenda Item #7. Report of Board Lobbyist

[00.42.47 into the pension meeting audio.]

- A. Discussion of Legislative Proposals — Mr. Roger Smith stated that he had a meeting with the Governor's office to discuss the Supplement Increase issue and answered several questions the Governor had about the proposal. While the Governor did not commit to supporting the proposal, he did tell Mr. Smith to keep working on the proposed legislation for submission during the next legislative session. Mr. Smith also stated that that he believed the Supplement Increase would be more attractive in the next legislative session if the Board limited it to include only those pension plans that did not already contain a COLA as several old local plans have voted themselves a COLA that they receive every year.

Agenda Item #8 Report from Board Chairman

[00.53.51 into the pension meeting audio]

- A. Funding Committee Meeting Date — The Chairman stated there was no meeting date set as to his knowledge but that he would check on one. Mr. Young made a motion [00.55.13 into the pension meeting audio] that Mr. Lee Harrod be appointed the Chairman of the Finance Committee with the full authority to set the future date, time, and location of such Committee meetings. The motion died for lack of a second.
- B. Sales Tax Report — The Chairman stated the process of placing figures into the sales tax amounts would be completed within the next week to two weeks and advised the Board that he and Sara Lenehan had worked very hard to ensure that an amount was included for the pension fund.
- C. Provide space on City website for Board audio — The Chairman said he had not dealt with this issue in the past six months and that he would go back to his IT person to determine an answer to that question.
- D. Reimbursing the Fund for Past Unpaid Probation Fees — The Chairman was unaware of any negotiations between our legal counsel and the City concerning this matter.
- E. Screening at City Hall — The Chairman had no information concerning Police Chief Thomas' request for guidance from the City Attorney's Office concerning this matter.

Agenda Item #9. Report from Board Secretary

[01.03.49 into the pension meeting audio.]

At his point, Mr. Hensley returned to the pension board meeting and asked that it be noted for the record that he left the meeting at approximately 09:50 hours and returned at approximately 10:15 hours. Thus, it is so noted.

- A. Purchase of New Document Scanner — Mr. Young withdrew his request for a document scanner and stated he had purchased one at his personal expense because he believed such a

device was important to the proper archive of pension records. Mr. Harrod made a motion that the pension board authorized Mr. Young to purchase a desktop computer system for his work as Secretary of our fund for not more than \$1,000 and that motion was seconded by Mr. Rowan and passed by unanimous vote of the Board.

- B. Request for information from Board Treasurer — Mr. Young requested to know if any Arkansas Code section required the City to have a balanced budget and, if so, what that section number may be. Ms. Lenehan stated there was such a requirement and that she would provide the appropriate section number. Mr. Young asked if the City of Little Rock complied with the GASB for accounting procedures. Mr. Young then asked Ms. Lenehan if she could direct him as to the location in the City's annual financial report where the numbers that correspond to GASB guidelines No. 25 and 27 of 1994 that pertain to deferred benefit pension plans would be located. Ms. Lenehan stated they could point out the footnotes that include those figures in their report.

Agenda Item #10. Report from Board Treasurer [01.11.08 into the pension meeting audio.]

- A. Financial Reports for April — The Treasurer submitted copies of the un-audited financial report for April 2011. Net Income/Losses to the plan year to date was (\$59,896). The report indicated that as of April 30, 2011, the total account fund balance including the DROP was \$48,580,656. The net gain for the month of April was \$450,541.

Also submitted were copies of the April 2011 expense and legal fee reports. Total expenditures, excluding benefit related expenses, were \$2,445 for the month. Total expenditures year to date was \$6,543. Legal fees paid were \$74,405 year to date.

Following review of the April financial and expense reports, Mr. Harrod made a motion to approve them as submitted that was seconded by Mr. Rowan. The motion passed by a unanimous vote of the Board.

- B. Report on effort to obtain base benefits for calculation of "additional appropriation" under SB181 — Ms. Lenehan provided a report that was prepared by the State Actuary and was subject to change that was headed "2012 Projection of Premium Tax Allocation" and "2016 Projection of Premium Tax Allocation". Ms. Lenehan stated that the 2012 section of the report should not be considered as the legislative changes will be implemented over the next five years with full implementation by 2016. The estimated current pension turn back funds projected for allocation to the Police Pension Fund are approximately \$500,395. With the full implementation of SB181 in 2016, the estimated allocation to the Police Pension Fund is \$1,126,613. In addition, the Fund is projected to receive approximately \$375,538 in additional funds which represent funds distributed under the new plan that replaces the former Guarantee Fund for projected insolvent plans. Ms. Lenehan stressed that these numbers are tentative and subject to change but should provide us with a basic understanding of the benefit of SB181 to the Little Rock Police Pension and Relief Fund.

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- C. Report on change of membership status — The Treasurer reported there were no changes in the membership status for this month

Agenda Item #11. Board Member Topics of Discussion

[01.27.35 into the pension meeting audio]

- A. Discussion of DROP Interest Rates (Mr. Hensley) — Ms. Lenehan presented several examples of DROP interest calculations to illustrate the impact of the average annual balance calculation and the timing of DROP withdrawals on the amount of DROP interest applied to member accounts. Based on her meeting with David Clark at the PRB, she recommended that the average annual balance calculation be modified to include month end account balances. In doing so, the interest applied to DROP accounts would be less impacted by the timing of withdrawals and more closely aligned with a daily average balance. In order to facilitate the monthly average calculation, Ms. Lenehan recommended that withdrawals be limited to once a month. Mr. Hensley made such a motion that was seconded by Mr. Harrod and passed by a unanimous vote of the Board and later amended to go into effect on September 1, 2011.

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- B. Report from Legislative Committee (Mr. Wood) — Mr. Wood stated making contact with the other funds around the state will be the subject of an upcoming committee meeting scheduled later this month.

Agenda Item #12. Fund Members Comments

[01.43.01 into the pension meeting audio]

[There were no fund members present except those on the Board.]

Agenda Item #13. Other Business

[01.48.11 into the pension meeting audio]

Mr. Harrod requested a subscription to Arkansas Online and the Pension Office stated we already had a subscription to the newspaper that should allow us to access that website online. The pension office will check into this matter and advise us at the next pension meeting.

Agenda Item #14. Adjourn Meeting

[01.51.20 into the pension meeting audio.]

Mr. Hensley made a motion to adjourn the meeting and Mr. Harrod seconded the motion that passed by a unanimous vote of the Board at approximately 11:02 hours.

206 Respectfully Submitted,
207
208
209 Stephen R. Young
210 Board Secretary

DRAFT